WEEKLY ECONOMIC REVIEW

February 23, 2007

Canada's all-items inflation rate slowed to 1.2 per cent in January from 1.6 per cent growth in December. Falling energy prices offset the impact of rising housing costs and slowed growth in CPI, which remained below 2 per cent for the fifth consecutive month. Canada's core inflation, used by the Bank of Canada to monitor its inflation-control target, rose by 2.1 per cent from last January.

Due to significant declines in natural gas prices in Alberta, its CPI fell from 4.7 per cent in December to 3.9 per cent in January from the same month last year. Rising shelter costs, primarily homeowners' replacement costs (up 37 per cent), have been a major driver of Alberta inflation. Excluding shelter, inflation rose 1.2 per cent in January. Recently, homeowners' replacement costs have been trending down as they declined by 0.8 per cent in January, the first decline since March, 2004.

The U.S. all-items CPI posted a 2.1 per cent increase in January 2007 from January 2006. Rising house and food indices, which offset declines in energy prices, contributed to the increase. The year-over-year core inflation rose by 2.7 per cent. Rising medical costs and rents are putting upward pressures on core prices.

Canadian retail sales rebounded in December, growing by 2.3 per cent. The largest gains were in sales of automative products, clothing and general merchandise. In 2006, growth in retail sales averaged 6.4 per cent, the strongest increase since 1997.

Cdn Dollar (C¢/US$)

Feb	23, 2007	86.3¢
Feb	16, 2007	85.9¢
2006-07 YTD		88.1¢

WTI Oil US$/bbl

Feb	22, 2007	$60.95
Feb	15, 2007	$57.99
2006-07 YTD		$65.57

Nymex Natural Gas C$/mcf*
March Contract

Feb	23, 2007	$8.91
Feb	16, 2007	$8.65

*Estimate based on Nymex Futures Market Price

Alberta showed double-digit growth in retail sales for the third consecutive year. In 2006, retail sales grew by 16.2 per cent. Especially strong growth in sales of used vehicles (42.7 per cent), home furnishings (41.7 per cent) and gasoline (22.5 per cent) contributed to the overall increase.

Canadian dollar rose to over 86 cents, the seven-week high, following a boost from strong domestic retail sales and a sharp jump in oil prices.

Oil prices climbed nearly US$3 a barrel to $US60.95 after the U.S. government reported surprisingly large drops in gasoline and heating oil inventories, and several refineries reported reduces volumes.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date[1]
Consumer Price Index (1992=100)	**January**			
Alberta	142.4	0.4%	3.9%	3.9%
Canada	130.3	0.1%	1.2%	1.2%
U.S. Consumer Price Index (1982-84=100)	203.2	0.2%	2.1%	2.1%
Retail Sales ($ Millions)	**December**			
Alberta	4,877	2.0%	13.4%	16.2%
Canada	33,488	2.3%	6.7%	6.4%

Source: Statistics Canada

[1] *Year-to-date 2006 compared to the same time period in 2005. For example: January-November 2006 versus January-November 2005*